

# FISCAL NOTE

**Bill #:** SB 1

**Title:** Governor's school funding proposal

**Primary Sponsor:** Ryan, D

**Status:** Final

Sponsor signature	Date	David Ewer, Budget Director	Date
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## Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<b>Expenditures:</b>		
General Fund	\$0	\$37,331,742
<b>Revenue:</b>		
General Fund	\$0	\$0
<b>Net Impact on General Fund Balance:</b>	\$0	(\$37,331,742)

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns                       |
| <input type="checkbox"/> Included in the Executive Budget         | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached          | <input checked="" type="checkbox"/> Needs an Appropriation        |

## Fiscal Analysis

### ASSUMPTIONS:

#### Office of Public Instruction

1. The average number belonging (ANB) for a school district in FY2007 is the current year ANB or a 3-year average ANB, whichever generates the highest maximum general fund budget. The ANB used for budgeting purposes in FY2007 is estimated to be as follows:

<u><b>FY 2007</b></u>	
K-6 ANB	72,415
7-8 ANB	24,547
9-12 ANB	<u>50,199</u>
Total ANB	147,161

2. The basic and per-ANB entitlements are set as follows:

	<u><b>FY 2007</b></u>
Basic entitlement Elementary	\$20,718
Basic entitlement High School	\$230,199
Per-ANB entitlement Elementary	\$4,456
Per-ANB entitlement High School	\$5,704
Direct State Aid Percentage	44.7%

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3. The statewide taxable valuation (net of tax increment districts) is \$1,897,655,540 for TY2005. The taxable valuation will increase by 3.5 percent in TY 2006.
4. Under current statute, direct state aid will be \$351.11 million in FY 2007. Guaranteed tax base aid to K-12 public schools will be \$112.29 million in FY 2007. County retirement costs will be \$24.46 million in FY 2007.
5. The state special education appropriation is assumed to be \$39.35 million in FY 2007, as appropriated in HB 2 during the 2005 regular legislative session.
6. SB 1 creates a quality educator payment to public school districts in the amount of \$2,000 per quality educator. The number of quality educators is allocated based on the actual number of FTE (licensed educators and other licensed professionals) reported to the office of public instruction. The cost of the quality educator component is \$24.429 million.
7. SB 1 creates an at-risk payment to 340 school districts and distributes in the same manner that federal Title I monies are allocated (20 USC 6332). Title I monies are allocated to districts based on the number of children below the federal poverty line who are 5-17 years of age as identified by the US Census. In addition, the Title I formula is based on concentration of poverty within a school district. Based on the Title I allocation, 70% of the funding will go to elementary districts, 17 % of the funding will be distributed to high school districts and 13% will be distributed to K-12 districts.
8. The appropriation for the at-risk payment is \$5 million and is contained in HB 1 for the 2005 special session.
9. SB 1 creates an Indian Education for All payment in the amount of \$100 for each district or \$20.40 per-ANB, whichever is greater. This payment will total \$3.0 million in FY 2007.
10. SB 1 creates a payment to public schools to close the educational achievement gap that exists between American Indian students and non-Indian students. The payment is \$200 for each American Indian student enrolled in the district.
11. The payment to districts in FY 2007 will be based on the number of American Indian students enrolled in public schools as of the official enrollment count on October 3, 2005. This count of American Indian students totaled 16,396. The total American Indian achievement gap payment is estimated to be \$3.279 million for FY 2007.
12. The total public school enrollment as of October 3, 2005 was 145,259.
13. It is estimated that 90% of \$35.708 million of new on-going monies provided to school districts in FY 2007 will be directed into salaries. Benefits charged to the county retirement fund are estimated to be 15.5% of salaries. The state GTB share of the retirement costs is estimated to be 27% or \$1.345 million ( $\$35,708,000 \times 90\% \times 15.5\% \times 27\%$ ). The remaining \$3.636 million will be paid by county taxpayers.
14. School districts reimburse parents for individual transportation contracts for 2.6 million miles annually. Increasing the individual transportation contract rate from 25 cents per mile to 35 cents per mile will cost \$0.130 million and \$0.130 million to the county tax payers.

### **School for the Deaf and Blind**

15. SB 1 creates a quality educator payment to the School for the Deaf and Blind in the amount of \$2,000 per quality educator. The number of quality educators is allocated based on the actual number of FTE (licensed educators and other licensed professionals) reported to the office of public instruction. The cost of the quality educator component to the School for the Deaf and Blind is \$85,000.

### **Department of Corrections**

16. SB 1 creates a quality educator payment to the Pine Hills and Riverside Corrections Facilities in the amount of \$2,000 per quality educator. The number of quality educators is allocated based on the actual number of FTE (licensed educators and other licensed professionals) reported to the office of public instruction. The cost of the quality educator component to the Pine Hills and Riverside Corrections Facilities is \$63,800.

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	Cost	State Share	County Share
Quality Educator Component (12,214.5 FTE X \$2,000)	\$24,429,000	\$24,429,000	
At Risk Component	5,000,000	5,000,000	
Indian Education for All Component	3,000,000	3,000,000	
American Indian Achievement Gap (16,396 American Indian students X \$200)	3,279,000	3,279,000	
Pupil Transportation (2.6 million miles X 10 cent per mile increase)	260,000	130,000	130,000
Retirement	4,981,266	1,344,942	3,636,324
Montana School for the Deaf and Blind	85,000	85,000	
Department of Corrections	63,800	63,800	
<b>TOTAL</b>	<b>\$ 41,098,066</b>	<b>\$ 37,331,742</b>	<b>\$ 3,766,324</b>

**FISCAL IMPACT:**

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Montana School for the Deaf and Blind	\$0	\$85,000
Department of Corrections	0	63,800
Local Assistance – District General Fund	0	35,708,000
Local Assistance – Retirement GTB	0	1,344,942
Local Assistance – Pupil Transportation	<u>0</u>	<u>130,000</u>
<b>TOTAL</b>	<b>\$0</b>	<b>\$37,331,742</b>
<u>Funding of Expenditures:</u>		
General Fund (01)	\$0	\$37,331,742
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$0	(\$37,331,742)

**EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:**

1. K-12 public school districts can respond to the funding increases provided in SB 1 by increasing general fund spending and/or providing property tax relief.
  - Districts that are currently spending at the BASE budget level will be required to increase spending, but not property taxes.
  - No district property taxes will be required to support the new funding levels provided in SB 1.
  - Districts spending above the BASE could chose to reduce local levies instead of increasing budgets.
2. County property taxes are estimated to increase by \$3.636 million in FY 2007 to fund increases for county retirement.
3. County transportation costs will increase \$130,000 in FY 2007 to fund the individual pupil transportation contract payments as increase by 10 cents per mile in SB 1.

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### **LONG-RANGE IMPACTS:**

1. SB1 eliminates the June 30, 2007 sunset of three-year averaging. If SB1 does not pass, the state savings from removal of three-year averaging costs would be approximately \$12 million each year.
2. SB1 eliminates the June 30, 2007 sunset of the per ANB entitlement inflationary increases and the elimination of \$250 for elementary ANB and \$100 for high school ANB set in place for FY 2006 and FY 2007. SB1 allows these increases to continue in the formula. If SB1 does not pass, the state savings from removal of these increases would be approximately \$35 million each year.